

DEPARTMENT OF HEALTH SERVICES

714/744 P STREET
SACRAMENTO, CA 95814

(916) 445-1912



September 21, 1989

All County Welfare Directors
All County Administrative Officers

Letter No.: 88-73

SUBJECT: AVAILABILITY OF CASH SURRENDER VALUE OF LIFE INSURANCE POLICIES

The purpose of this letter is to clarify that the cash surrender value (CSV) of life insurance policies is considered unavailable once an applicant, or a person acting in behalf of the applicant, has taken steps to make the CSV available. The CSV remains unavailable until it is actually received by the applicant/beneficiary as long as he/she continues to make a good faith effort to liquidate the asset.

Once the applicant/beneficiary receives the money (usually in the following month), it becomes available. However, to the extent the applicant/beneficiary is properly eligible for at least one day prior to receipt of the CSV in that month, there would be continuing eligibility without the CSV of the life insurance affecting eligibility in that month. In addition, if the applicant applies for retroactive coverage, the CSV will be unavailable in the retroactive month only if that he/she took the steps necessary to make it available in these months. This may result in the CSV being available one month and unavailable the following month.

EXAMPLES:

1) A person comes in to apply for current and ongoing Medi-Cal. He states that he has a \$10,000 face value whole life insurance policy. Upon examination of the CSV tables in the policy, the worker finds that the policy appears to have a \$3,000 CSV. In addition, the person's other nonexempt property is over the property limit. The worker informs the person of the property limit and the need to spend down. The worker also informs the applicant that he/she must take steps to make the CSV available for it to be considered available. It will remain unavailable until the CSV is actually received as long as he/she continues to make a good faith effort to liquidate the asset.

The applicant returns to the county the following month with a statement from his/her insurance agent that he/she completed the necessary paperwork to obtain the CSV. The date of the statement is in the month of application evidencing that the applicant actually took the steps to make the CSV available in the month of application thereby rendering the CSV unavailable for that month. Providing the applicant had spent down the remaining excess property before the end of the month of application, Medi-Cal could be approved for the month of application.

When the beneficiary receives the CSV, the county will examine the property limit once again. If applicable, the beneficiary must be informed of the property limits once more. Regular procedures for discontinuance due to excess property would then be followed as appropriate.

- 2) A person comes into the county office to apply for retroactive Medi-Cal for the prior two months to cover a period of hospitalization. The person's wife had completed the necessary paperwork to obtain the CSV of their life insurance policies soon after her husband was hospitalized. She has a receipt for certified mail from the post office to show the date the paperwork was mailed. This establishes that she took the necessary steps to make the CSV available in the first month for which retroactive coverage is being requested.

The CSV was received by the applicant in the second month in the retroactive period. The wife immediately applied it toward the hospital bill.

If otherwise eligible, this couple would be eligible for both retroactive months. In the first month the CSV would be considered unavailable and in the second month the excess property was appropriately brought below the property limit before the end of the month (adequate consideration was received).

- 3) A person comes in to apply in June for himself (one person MFBU). He/She wants retroactive Medi-Cal coverage for the months of March, April and May. The applicant's only property is a life insurance policy with a face value of \$5,000 and a CSV of \$4,000. The eligibility worker must explain the property limits, spenddown procedures and the fact that the CSV will be considered unavailable from the date the applicant takes steps to liquidate the asset to the date funds are actually received, as long as the applicant continues to make a good faith effort to obtain the CSV. However, since the applicant had not initiated these activities in the retroactive months, the CSV is available in those retroactive months.

The applicant returns one week later (still in the month of application) with a statement from the insurance agent stating that all the necessary paperwork has been completed. Therefore, from that date until the date the CSV is obtained, the CSV is unavailable.

The applicant is ineligible for retroactive coverage due to excess resources, but if otherwise eligible, Medi-Cal could be granted for the month of application and ongoing until the CSV is obtained. At that time, the CSV becomes available.

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Finally, please note that this discussion on availability does not affect other reasons by which property may be determined to be unavailable (e.g., if the person is unconscious and has no one to act in his/her behalf to make the property available.) In general, legal availability is defined as the "right, authority or power to liquidate the property". In most cases, unless specifically instructed to do otherwise, you should use the same guidelines.

If you have any additional questions, please call Sharyl Shanen-Raya of my staff at (916) 324-4956.

Sincerely,

Original signed by

Frank S. Martucci, Chief
Medi-Cal Eligibility Branch

cc: Medi-Cal Liaisons
Medi-Cal Program Consultants

Expiration Date: September 7, 1989